

THE MAY DEPARTMENT STORES COMPANY
and subsidiary companies



the **MAY** *department stores company*

presents its **ANNUAL REPORT**

for the fiscal year ended

JANUARY 31, 1952

DIRECTORS

Lyle M. Allen	Morton J. May
Walter J. Brunmark	Tom May
Jerome Dauby	Wilbur D. May
Nathan L. Dauby	Alfred L. Rose
David Geller	Samuel Rosenberg
Alvin D. Goldman	Walter E. Sachs
Lincoln Gries	Fred Z. Salomon
Edgar J. Kaufmann	Sydney M. Shoenberg
Oliver M. Kaufmann	Leonard Strauss
Robert Lehman	George V. Thompson
Morton D. May	Leo J. Wicck
	Irwin D. Wolf

OFFICERS

Morton J. May	Chairman of the Board
Morton D. May	President
Walter J. Brunmark	Vice-President
Jerome Dauby	Vice-President
Nathan L. Dauby	Vice-President
David Geller	Vice-President
Lincoln Gries	Vice-President
Edgar J. Kaufmann	Vice-President
Tom May	Vice-President
Wilbur D. May	Vice-President
Samuel Rosenberg	Vice-President
Fred Z. Salomon	Vice-President
Sydney M. Shoenberg	Vice-President
Leonard Strauss	Vice-President and Secretary
Leo J. Wicck	Vice-President and Treasurer
Irwin D. Wolf	Vice-President
William H. Fischer	Assistant Treasurer

APPOINTED VICE-PRESIDENTS

Thomas B. Faulkner	Leonard Nowogrod
Oliver M. Kaufmann	Albert Rosenberg
Jerold S. Meyer	David Touff
	Alfred Triefus

ASSISTANT SECRETARIES

Harold E. Ely	L. L. Kinsey
Robert A. Galbasin	A. E. Priebe
Edwin I. Geller	J. C. Ritchie
Richard H. Hiner	Samuel J. Shaffer
	E. T. Sonne

TRANSFER AGENTS—REGISTRARS

For Common Stock	
Irving Trust Co. New York, N. Y.	Bankers Trust Co. New York, N. Y.
For \$5.75 Preferred Stock (1945)	
The Chase National Bank New York, N. Y.	Irving Trust Co. New York, N. Y.
For \$3.75 Preferred Stock (1947 Series)	
Irving Trust Company New York, N. Y.	The National City Bank of New York New York, N. Y.
For \$3.40 Preferred Stock	
Bankers Trust Co. New York, N. Y.	Guaranty Trust Co. New York, N. Y.

TRUSTEE

For 2½% Sinking Fund Debentures due July 1, 1972	The Chase National Bank of the City of New York New York, N. Y.
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THE PRESIDENT'S LETTER

THE MAY DEPARTMENT STORES COMPANY

St. Louis, Missouri, May 12, 1952.

To the Stockholders:

The year ended January 31, 1952, was the most active in the Company's history, as sales reached \$424,991,000, an increase of 2% over the previous year. Net earnings, stated on the LIFO (last-in, first-out) basis (after provision for income taxes and minority interests), were \$15,634,000 compared with \$21,371,000 for the previous year. Earnings per share of common stock, after preferred dividends and after giving effect to the two for one stock split in June of 1951, were \$2.47 for the current year as compared with \$3.46 for the previous year.

Sales, earnings, taxes and dividends over the past five years, computed on average shares of common stock outstanding during each year and adjusted to give effect to the aforesaid two for one stock split, were as follows:

<u>Year ended</u> <u>January 31,</u>	<u>Sales</u>	<u>Earnings</u> <u>before</u> <u>Federal</u> <u>taxes</u>	<u>Federal</u> <u>taxes on</u> <u>income</u>	<u>Earnings</u> <u>after</u> <u>taxes</u>	<u>Earnings</u> <u>per</u> <u>share</u>	<u>Dividends</u> <u>paid per</u> <u>share</u>
1952.....	\$424,991,000	\$32,834,000	\$17,200,000	\$15,634,000	\$2.47	\$1.80
1951.....	416,689,000	39,829,000	18,458,000	21,371,000	3.46	1.50
1950.....	392,915,000	30,288,000	12,195,000	18,093,000	2.90	1.50
1949.....	407,266,000	33,236,000	13,585,000	19,651,000	3.26	1.50
1948.....	358,014,000	28,872,000	11,641,000	17,231,000	2.97	1.50

Inventories:

Inventories at January 31, 1952, were calculated on a LIFO basis and amounted to \$49,004,000 as compared with \$54,813,000 for the previous year, a decrease of \$5,809,000. The inventory figures this year include merchandise requirements for the new St. Louis "Southtown" store opened August 24, 1951 and the anticipated requirements of the new Los Angeles - Long Beach "Lakewood" store opened February 18, 1952. At present, the inventory position is satisfactory for normal operations and is considered to be well balanced.

Working Capital:

Working capital at the year end amounted to \$91,706,000, a decrease of \$2,785,000 from the previous year. The ratio of current assets to current liabilities was 2.7 to 1. There is included in this report a statement captioned "Changes In Working Capital" showing the sources of working capital and its disposition during the past five years.

Accounts Receivable:

Amounts due from customers after allowance for doubtful accounts are summarized as follows:

	<u>January 31, 1952</u>	<u>January 31, 1951</u>	<u>Increase or Decrease*</u>
Regular retail accounts	\$11,033,000	\$43,188,000	\$2,155,000*
Instalment accounts	18,061,000	16,840,000	1,221,000

Collections during the past year were satisfactory. We have continued our policy of maintaining ample reserves against losses.

Property Account—Leases:

Expenditures for land, buildings and fixtures amounted to \$18,582,000 during the year, due primarily to the construction of the St. Louis "Southtown" branch and the Los Angeles - Long Beach "Lakewood" branch. For the year just ended depreciation charges for all stores amounted to \$5,024,000. Rents paid to others aggregated \$2,014,000 as compared with \$2,169,000 for the previous year.

Income Taxes:

Income taxes for the year totaled \$17,200,000, which was 52.3% of net earnings before taxes. Under the Company's present excess profits tax base, the Company can earn approximately \$2.45 per share on the common stock without being subject to excess profits tax.

Lifo Income Tax Claims:

As reported in previous annual statements, claims for refund of federal income taxes aggregating \$5,990,000 were filed in respect of the fiscal years ended January 31, 1942, through January 31, 1947, and are still pending. These claims are based on the use of the LIFO method of valuing inventories for years subsequent to January 31, 1941. It is hoped that a decision in this important matter will be reached during the current year.

Capitalization Changes:

In June, 1951, the stockholders approved an increase in authorized common stock from 5,000,000 shares to 10,000,000 shares and the issuance of one additional share of common stock for each share outstanding, thus increasing the number of outstanding common shares to 5,820,928.

Dividends:

During the year, dividends on common stock amounted to \$1.80 per share, thereby continuing the Company's unbroken dividend record of 42 years. Such dividends were paid to 15,800 common stockholders.

Retirement Plan:

Since the Retirement Plan of the Company was established as of February 1, 1913, a total of 1,537 employees have been retired under the Plan. 76% of the funds of the Plan are invested in United States government securities, 11% in corporation bonds, and 13% in well-diversified common stocks.

Stock Options:

In June, 1951, the stockholders approved a plan setting aside 100,000 shares of common stock on which options may be given to executives of the Company at the market price of such stock at the date the option is granted. A committee comprising Morton J. May, Nathan L. Dauby and Alfred Rose, none of whom is a possible beneficiary under the plan, was appointed to determine to whom options are to be given. No options have as yet been granted.

General:

Retailers' profits for the past year were adversely affected by markdowns necessary to bring inventories into balance and by the increase in expenses of operation.

It is anticipated that during the current year markdowns will not be as large because of the improved condition of the inventory.

The overall total of federal taxes on income (Normal, Surtax and Excess Profits) during the past year was 52.3%, as compared with 46.3% during the previous year.

Consumer purchasing power remains high and satisfactory sales volume is expected during the current fiscal year.

The St. Louis "Southtown" branch was opened in August, 1951, and the Los Angeles - Long Beach "Lakewood" branch was opened in February, 1952. Sales in each of these units are up to expectations.

I wish to thank the officers and employees of the Company for their continued cooperation during the past year.

Respectfully,

MORTON D. MAY,

President.

CHANGES IN WORKING CAPITAL

	Year ended January 31,				
	1952	1951	1950	1949	1948
WORKING CAPITAL WAS PROVIDED BY:					
Net earnings including portion applicable to minority interests	\$15,681,000	\$21,418,000	\$18,141,000	\$19,759,000	\$17,748,000
Non-cash expenses--depreciation and amortization (including properties not used in store operations)	5,033,000	4,657,000	4,342,000	3,738,000	2,952,000
Working capital of stores acquired at dates of acquisition	—	—	2,101,000	3,458,000	—
Increase in long-term indebtedness	7,200,000	—	—	—	14,353,000
Proceeds from sale of preferred stock	—	—	—	—	8,712,000
Miscellaneous	—	318,000	—	908,000	—
	<u>\$27,914,000</u>	<u>\$26,393,000</u>	<u>\$24,584,000</u>	<u>\$27,863,000</u>	<u>\$43,765,000</u>
WORKING CAPITAL WAS EXPENDED FOR:					
Additions to property, plant and equipment	\$18,582,000	\$ 5,965,000	\$ 6,656,000	\$12,561,000	\$13,255,000
Cash dividends, including those paid to minority interests	11,740,000	10,000,000	10,013,000	9,760,000	9,252,000
Reduction in long-term indebtedness	—	2,600,000	300,000	1,331,000	—
Acquisition of stock of subsidiary company	2,000	49,000	18,000	1,478,000	—
Purchase of preferred stock for sinking fund purposes	213,000	60,000	553,000	96,000	492,000
Miscellaneous	162,000	—	32,000	—	760,000
	<u>\$30,699,000</u>	<u>\$18,674,000</u>	<u>\$17,572,000</u>	<u>\$25,226,000</u>	<u>\$23,759,000</u>
INCREASE OR DECREASE* IN WORKING CAPITAL	<u><u>\$ 2,785,000*</u></u>	<u><u>\$ 7,719,000</u></u>	<u><u>\$ 7,012,000</u></u>	<u><u>\$ 2,637,000</u></u>	<u><u>\$20,006,000</u></u>

ANALYSIS OF A \$10.00 SALE

	<u>This year</u>	<u>Last year</u>
The customer pays	\$10.00	\$10.00
May pays the following costs and expenses:		
Cost of merchandise sold and expenses, exclusive of those listed below ..	\$ 8.82	\$ 8.66
Maintenance and repairs, and depreciation	.19	.18
Taxes to various federal, state and local governments, other than federal taxes on income	.15	.14
Rents for the use of properties owned by others	.05	.05
Interest and debt expense	.02	.01
These costs and expenses total	\$ 9.23	\$ 9.04
Before providing for federal taxes on income, there remains	\$.77	\$.96
Federal taxes on income, including excess profits tax of \$.01 for this year and \$.03 for last year	.40	.45
Net earnings on the \$10.00 sale	\$.37	\$.51
Of these earnings, May pays dividends to its:		
Preferred stockholders	\$.03	\$.03
Common stockholders	.25	.21
	\$.28	\$.24
May retains for use in the business	\$.09	\$.27

STORES ACQUIRED OR BUILT IN LAST 8 YEARS

1945

Massillon, Ohio—Branch

1946

Kaufmann's—Pittsburgh
Coshocton, Ohio—Branch
Mansfield, Ohio—Branch

1947

Los Angeles—Crenshaw Branch

1948

The Strouss-Hirshberg Company—Youngstown
New Castle, Pennsylvania and Warren, Ohio—Branches
The Griswold Company, Warren, Ohio
St. Louis—Clayton Branch
Barberton, Ohio—Branch

1949

T. S. Martin Company—Sioux City
Salem, Ohio—Branch

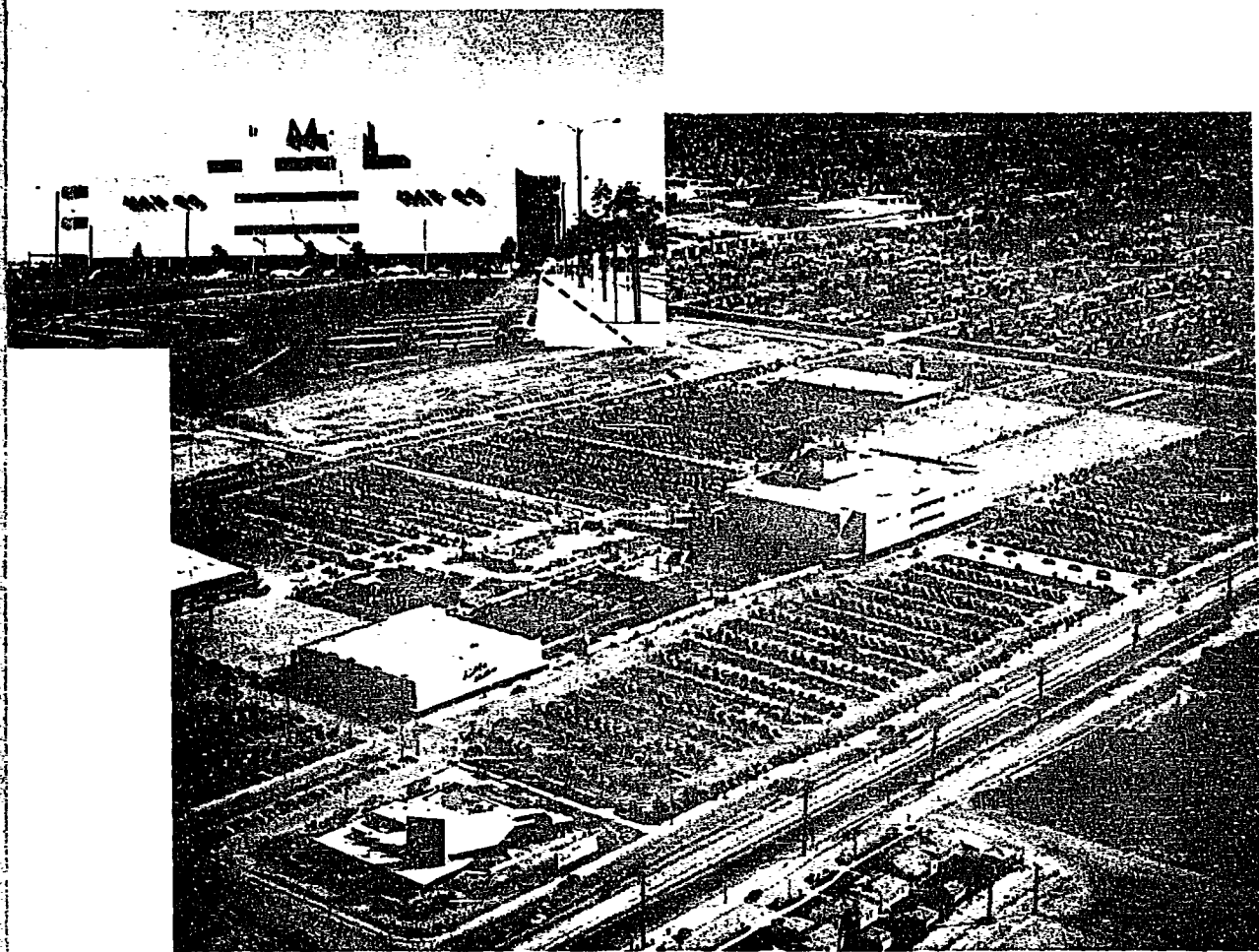
1951

St. Louis—Southtown Branch

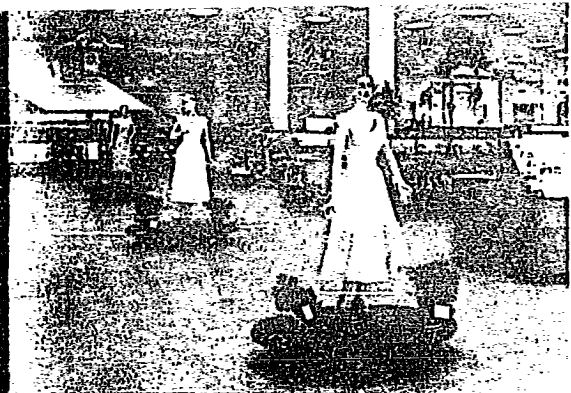
1952

Los Angeles—Lakewood Branch

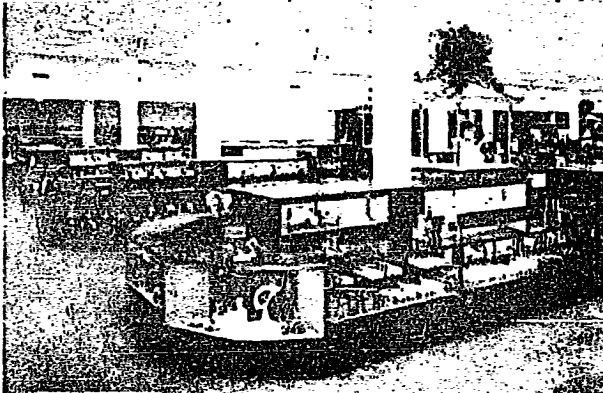
OUR NEWEST STORE



the **MAY** company - Lakewood



THE BROAD MAIN AISLE AT LAKEWOOD



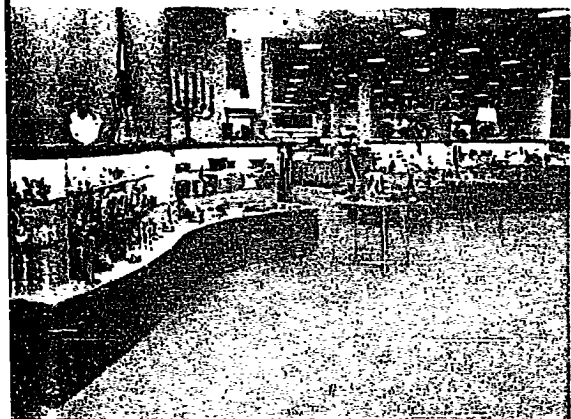
TOILETRIES AND OTHER MAIN FLOOR DEPTS.

LOCATED fifteen miles southeast of Los Angeles and a few miles north of Long Beach, the new May Company Lakewood Store was opened in February, 1952 . . . the largest suburban department store in the country.

Lakewood in its entirety constitutes one of the greatest housing and shopping center developments ever conceived. It comprises 3,300 acres on which over 11,000 homes have already been constructed, over 40 stores are open and parking space for 5,300 cars in operation. When completed, Lakewood will have 17,000 homes, 17 churches, 20 schools, 27 playgrounds, and 300 miles of streets. The shopping center business district will have over 100 shops in buildings with more than a million and a half square feet of floor space and parking space for more than 10,000 cars. Lakewood's pop-

ulation is now over 31,000 and there are more than a million and a quarter people living within convenient shopping distance.

The May Company Lakewood Store, in the center of this huge development, incorporates all departments and service facilities of the main store, including an auditorium seating 325. Its floor space totals 350,000 square feet and its design and layout include many new developments in store design, fixturing and lighting. Incoming and outgoing merchandise and supplies enter and leave the store by a 2,300 foot tunnel which serves the entire business district and removes all such traffic from the surface streets. From the operating figures of the first few months, there is every reason to expect outstanding performance from this store in the future.



THE INTERESTING GIFT SHOP DISPLAYS



CHILDREN'S AND TEEN-AGE APPAREL

the **MAY** department store

—CONSOLIDATED—

ASSETS

	January 31,	
	1952	1951
CURRENT ASSETS:		
Cash	\$ 14,429,014	\$ 13,462,714
United States Government securities (aggregate quoted market prices 1952—\$14,985,444; 1951—\$13,025,297)	15,516,870	13,007,827
Customers' accounts:		
Regular retail, less allowance for doubtful accounts of \$2,883,756 (1952) and \$2,915,248 (1951)	41,033,033	43,188,585
Instalment, less allowances for doubtful accounts and deferred carrying charges of \$1,886,840 (1952) and \$1,669,788 (1951)	18,061,974	16,840,491
Other accounts receivable	2,977,590	2,298,418
Merchandise inventories (Note A)	49,004,188	54,813,408
Refundable federal taxes on income	970,000	970,000
Supplies and prepaid expenses	3,559,297	3,166,492
TOTAL CURRENT ASSETS	\$145,551,966	\$147,747,935
OVERPAYMENTS OF FEDERAL TAXES ON INCOME claimed for the six years ended January 31, 1947 as a result of the readoption of the LIFO basis (Note A)	\$ 5,990,000	\$ 5,990,000
INVESTMENTS AND OTHER ASSETS:		
Notes receivable	\$ 337,194	\$ 664,637
Land and buildings not used in store operations—at cost, less accumulated depreciation	629,714	649,316
Miscellaneous	1,312,914	824,145
	\$ 2,279,822	\$ 2,138,098
PROPERTY, PLANT AND EQUIPMENT (Note B)	\$ 87,855,028	\$ 74,287,769
DEFERRED CHARGES —debenture expense and miscellaneous	\$ 127,256	\$ 131,347
GOODWILL	\$ 1	\$ 1
	\$241,804,073	\$230,295,150

See notes to

Company and subsidiary companies

BALANCE SHEET

LIABILITIES

	January 31,	
	1952	1951
CURRENT LIABILITIES:		
Notes payable (commercial paper)	\$ 6,000,000	\$ —
Accounts payable	15,415,128	18,256,997
Salaries, wages, bonuses and commissions	4,626,016	5,149,321
Federal taxes on income	24,222,528	24,189,826
Miscellaneous accrued liabilities	3,034,820	3,060,320
Current maturities on long-term debt	547,121	2,600,000
TOTAL CURRENT LIABILITIES	\$ 53,845,613	\$ 53,256,464
LONG-TERM DEBT (exclusive of \$547,121 (1952) and \$2,600,000 (1951) included in current liabilities):		
2 $\frac{7}{8}$ % sinking fund debentures, due July 1, 1972 (Note C)	\$ 14,700,000	\$ 15,000,000
Note payable to bank—unsecured, due September 1, 1952	—	350,000
Notes payable to bank—unsecured, due May 10, 1953 and August 1, 1953	4,500,000	—
Loans from insurance company (Note D)	3,344,290	—
	\$ 22,544,290	\$ 15,350,000
MINORITY INTEREST IN THE PREFERRED STOCK OF A SUBSIDIARY	\$ 1,160,255	\$ 1,162,362
STOCKHOLDERS' INVESTMENT:		
Cumulative preferred stock (Note E)	\$ 33,262,100	\$ 33,490,200
Common stock (Note F)	29,104,640	44,552,330
Additional paid-in capital	11,047,400	25,584,539
Accumulated earnings retained in the business (Note C)	90,839,775	86,899,255
	\$164,253,915	\$160,526,324
	\$241,804,073	\$230,295,150

al statements.

CONSOLIDATED STATEMENT OF ACCUMULATED EARNINGS RETAINED IN BUSINESS

	Year ended January 31,	
	1952	1951
BALANCE AT BEGINNING OF YEAR	\$ 86,899,255	\$75,480,792
ADD net earnings applicable to shares of parent company ..	15,634,229	21,371,351
	<u>\$102,533,484</u>	<u>\$96,852,143</u>
DEDUCT cash dividends paid:		
\$3.75 cumulative preferred stock (1945)—four quarterly dividends of 93 $\frac{3}{4}$ cents each	\$ 536,789	\$ 540,375
\$3.75 cumulative preferred stock, 1947 series—four quarterly dividends of 93 $\frac{3}{4}$ cents each	324,181	326,033
\$3.40 cumulative preferred stock—four quarterly dividends of 85 cents each	355,159	355,163
Common stock—two quarterly dividends of 90 cents each prior to issuance of additional shares and two of 45 cents each thereafter (1952); four quarterly dividends of 75 cents each (1951)	10,477,580	8,731,317
	<u>\$ 11,693,709</u>	<u>\$ 9,952,888</u>
BALANCE AT END OF YEAR (Note C)	<u>\$ 90,839,775</u>	<u>\$86,899,255</u>

CONSOLIDATED STATEMENT OF ADDITIONAL PAID IN CAPITAL

	Year ended January 31,	
	1952	1951
BALANCE AT BEGINNING OF YEAR	\$25,584,539	\$25,582,561
ADD excess of carrying value (\$100 a share) over cost of cumulative preferred stock repurchased	15,191	1,978
	<u>\$25,599,730</u>	<u>\$25,584,539</u>
DEDUCT amount transferred to common stock (\$5 a share) upon issuance of one additional share of common stock for each of the 2,910,466 shares outstanding, pursuant to a Plan of Recapitalization adopted by the stockholders on June 5, 1951	14,552,330	—
BALANCE AT END OF YEAR	<u>\$11,047,400</u>	<u>\$25,584,539</u>

See notes to financial statements.

CONSOLIDATED STATEMENT OF NET EARNINGS

	Year ended January 31,	
	1952	1951
INCOME:		
Net sales (including leased departments)	\$124,991,445	\$116,689,345
Interest and dividends	434,563	360,767
Miscellaneous	568,004	128,001
	<u>\$125,994,012</u>	<u>\$117,178,113</u>
COSTS AND EXPENSES:		
Cost of merchandise sold (Note A), selling, operating, general and administrative expenses (less carrying charges to customers on instalment accounts), exclusive of items listed below	\$375,703,667	\$361,267,067
Maintenance and repairs	3,241,897	2,821,003
Depreciation and amortization	4,906,137	4,533,008
Taxes, other than those included in cost of merchandise sold, taxes paid by customers and federal taxes on income	6,278,612	6,018,035
Rentals (Note H)	2,014,008	2,169,451
Interest and debt expense	969,183	493,932
Federal taxes on income, including excess profits tax of \$250,000 (1952) and \$1,300,000 (1951)	17,199,983	18,457,427
	<u>\$410,313,487</u>	<u>\$395,759,923</u>
NET EARNINGS	\$ 15,680,525	\$ 21,418,190
DEDUCT portion of net earnings applicable to minority interest in the preferred stock of a subsidiary	46,296	46,839
NET EARNINGS APPLICABLE TO SHARES OF PARENT COM- PANY	\$ 15,634,229	\$ 21,371,351

See notes to financial statements.

- A. Merchandise inventories are stated at cost or market whichever lower. Cost is determined on the LIFO (last-in, first-out) basis, using the retail inventory method.

In the year ended January 31, 1942, the Company adopted the LIFO method of inventory valuation based on the use of statistical indices. Before the federal income tax return for that year was filed, the Treasury Department ruled that retail organizations, employing the retail inventory method, would not be permitted to use the LIFO method employing indices. In 1947, the Tax Court of the United States, in a test case brought by another taxpayer, clearly established the right of retailers to use such a method. Accordingly, the Company resumed the LIFO method, effective for the year ended January 31, 1942. By application of the LIFO method, it is the Company's position that federal taxes on income for the year ended January 31, 1952 and prior years have been reduced by \$9,330,000. Of this amount, \$5,990,000 represents overpayments claimed for the six years ended January 31, 1947 and \$3,340,000 the reduced provision for federal taxes for the five years ended January 31, 1952. An agreement has not yet been reached with the Treasury Department in connection with the Company's LIFO basis.

- B. Property, plant and equipment are as follows:

	Cost	Accumulated depreciation and amortization	Net
JANUARY 31, 1952:			
Land	\$ 13,271,143	\$ —	\$13,271,143
Buildings and building equipment substantially all on owned land ..	36,481,424	10,364,047	26,117,377
Buildings and building equipment substantially all on leased land, improvements to leased properties and leaseholds	51,177,829	21,026,733	30,151,096
Furniture, fixtures and equipment	27,997,053	9,681,641	18,315,412
	<u>\$128,927,449</u>	<u>\$41,072,421</u>	<u>\$87,855,028</u>
JANUARY 31, 1951:			
Land	\$ 12,597,317	\$ —	\$12,597,317
Buildings and building equipment substantially all on owned land ..	32,734,028	9,284,336	23,449,692
Buildings and building equipment substantially all on leased land, improvements to leased properties and leaseholds	42,321,999	19,322,058	22,999,941
Furniture, fixtures and equipment	23,582,777	8,341,958	15,240,819
	<u>\$111,236,121</u>	<u>\$36,948,352</u>	<u>\$74,287,769</u>

- C. The debentures, due July 1, 1972, are subject to redemption at any time prior to maturity as a whole or in part at the option of the Company, at periodic reductions in prices ranging from 102 $\frac{7}{8}$ in 1952 to 100 in 1970. The sinking fund provides for the redemption on July 1 in each year beginning with 1952 of \$300,000 principal amount in each of the years 1952 through 1956; \$450,000 in each of the years 1957 through 1961; and \$750,000 in each of the years 1962 through 1971, with periodic reductions in prices ranging from 101 $\frac{1}{2}$ in 1952 to 100 in 1970. At January 31, 1952, the Company had acquired and is holding in treasury debentures in the principal amount of \$300,000 for sinking fund redemption on July 1, 1952.

Under the terms of the indenture, the Company cannot pay a dividend on any of its stock unless immediately thereafter the capital represented by the outstanding stocks of the Company (excluding treasury stock held by the Company), plus consolidated surplus of all types, less the cost of any stock of the Company owned by its subsidiaries, aggregate at least \$80,000,000 plus or minus, as the case may be, an amount equal to consolidated funded indebtedness of the Company outstanding in excess of or less than \$20,000,000. Of the consolidated accumulated earnings retained in the business of \$90,839,775 at January 31, 1952, the sum of \$81,162,504 is unrestricted as to such dividends.

- D. In connection with the acquisition of the Railway Exchange Building, St. Louis, Missouri, a subsidiary of the Company assumed an unsecured note of \$1,233,834 and acquired the premises subject to a first mortgage of \$2,419,132, each payable to the Massachusetts Mutual Life Insurance Company. The note is dated June 29, 1946, payable in 240 monthly instalments, including interest at 4%, of \$9,090 each with a final principal instalment of \$9,059 due on July 10, 1966. The mortgage is dated June 29, 1946, payable in monthly instalments, including interest at 3 $\frac{3}{4}$ %, of \$18,367 through July 1, 1953 and \$13,624 monthly thereafter with a final principal instalment of \$13,581 payable on July 1, 1971; the mortgage is secured by first deed of trust on the Railway Exchange Building.

- E. Cumulative preferred stock of no par value (carrying value \$100 a share), originally authorized 350,000 shares, 8,725 shares retired prior to January 31, 1952 and 6,325 shares retired prior to January 31, 1951:

pany and subsidiary companies

FINANCIAL STATEMENTS

	January 31,	
	1952	1951
\$3.75 series (1945), originally issued 150,000 shares (6,000 shares retired prior to January 31, 1952 and 4,500 shares retired prior to January 31, 1951), less 1,525 shares in treasury at January 31, 1952 and 2,000 shares at January 31, 1951	\$14,247,500	\$14,350,000
\$3.75 1947 series, originally issued 89,467 shares (2,725 shares retired prior to January 31, 1952 and 1,825 shares retired prior to January 31, 1951), less 1,055 shares in treasury at January 31, 1952 and 700 shares at January 31, 1951	8,568,700	8,691,200
\$3.40 series, issued 110,533 shares, less 6,074 shares in treasury at January 31, 1952 and 6,073 shares at January 31, 1951	10,445,900	10,446,000
	<u>\$33,262,100</u>	<u>\$33,490,200</u>

The sinking fund provisions require that, during each year ending July 1, commencing with the year ending July 1, 1948 in respect of the \$3.75 series (1945) cumulative preferred stock, with the year ending January 31, 1950 in respect of the 1947 series \$3.75 cumulative preferred stock and with the year ending July 1, 1952 in respect of the \$3.40 cumulative preferred stock, the Company retire at least one per centum of the total number of shares of each such series of preferred stock issued prior to the beginning of such year. The redemption price of the \$3.75 series (1945) cumulative preferred stock prior to July 1, 1953 is \$104.50 a share, with a reduction to \$103.50 a share on or after July 1, 1953, plus accrued dividends. The redemption price of the 1947 series \$3.75 cumulative preferred stock is \$100.00 a share on or after February 1, 1952, plus accrued dividends. The redemption price of the \$3.40 cumulative preferred stock is \$103.50 a share, plus accrued dividends.

In the event of involuntary liquidation the holders of the preferred stocks are entitled to receive \$100.00 a share, plus accrued dividends. The terms of the preferred stock impose certain restrictions against the payment of dividends on common stock; at both January 31, 1951 and January 31, 1952 the amounts of such restrictions were less than those imposed by the debenture indenture.

F. Common stock, par value \$5 a share, authorized 10,000,000 shares at January 31, 1952 and 5,000,000 shares at January 31, 1951:

	Shares, January 31,		Amount, January 31,	
	1952	1951	1952	1951
Issued	6,368,770	3,184,381	\$31,843,850	\$15,921,920
In treasury	547,842	273,918	2,739,210	1,369,590
Outstanding	<u>5,820,928</u>	<u>2,910,466</u>	<u>\$29,104,640</u>	<u>\$14,552,330</u>

The increase in issued, treasury and outstanding shares at January 31, 1952 resulted from the issuance of additional stock on a share for share basis in accordance with the Plan of Recapitalization approved by the stockholders on June 5, 1951.

Under a Stock Purchase Plan adopted by the Board of Directors and approved by the common stockholders, to be administered by a Committee of not less than three Directors appointed by the Board and not eligible to participate in the Plan, an aggregate of up to 400,000 shares of the authorized unissued or reacquired common stock of the Company may be optioned and sold to those management employees of the Company and its subsidiaries (including officers and directors active in capacities other than as directors only) who shall be determined and designated from time to time by the Committee; subject to the conditions, limitations and provisions contained in said Plan. The maximum number of shares offered to any one participant upon the initial offering shall not exceed 10,000 shares and the maximum number of shares which any participant may purchase pursuant to the initial offering and all subsequent offerings under the Plan shall not exceed 20,000 shares. The period for exercising an option shall not exceed ten years from the date an option is granted, and an option terminates if a participant ceases to be an employee for any cause other than death or retirement, and can be exercised only within limited periods after death or retirement. The option price at which shares shall be offered shall be the market value of the common stock at the time an option is granted, but in no event less than the par value thereof, and no shares shall be issued unless full payment therefor has been made. No options have as yet been granted and the time when and the persons to whom such options will be granted have not as yet been determined.

G. Payments under the employees' retirement plans amounted to \$3,240,273 for the year ended January 31, 1952 and \$3,277,354 for the year ended January 31, 1951, of which \$869,023 and \$867,534, respectively, represented payments in respect of past service costs. It is estimated that, as of January 31, 1952, the aggregate amount which may ultimately be paid in respect of past service costs, if the plans continue, will approximate \$2,270,000; no provision therefor has been made in the accounts.

H. The Company had seventy-eight leases in effect at January 31, 1952 having terms of more than three years after that date. These leases provide for aggregate minimum annual rentals of approximately \$1,950,000 plus, in certain instances, real estate taxes (such amounts being included in taxes) and other expenses, and in respect of some of the minor leases, additional amounts based on percentages of sales. Of these seventy-eight leases, five of the principal ones providing for aggregate annual rentals of \$800,000 pertain to three major stores; these leases expire in 1972, 1996, 2000 and 2004. Four leases expiring in 1953 which pertained to the St. Louis store have been eliminated as a result of the purchase of the Railway Exchange Building.

the **MAY** department store

FIVE YEAR PERIOD

	<u>1952</u>
INCOME:	
Net sales (including leased departments)	\$424,991,445
Interest and dividends	43,563
Miscellaneous	568,001
	<u>\$425,994,012</u>
COSTS AND EXPENSES:	
Cost of merchandise sold, selling, operating, general and administrative expenses, exclusive of items listed below	\$375,703,667
Maintenance and repairs	3,241,897
Depreciation and amortization	4,906,137
Taxes, other than those included in cost of merchandise sold, taxes paid by customers and federal taxes on income	6,278,612
Rentals	2,014,008
Interest and debt expense	969,183
Federal taxes on income:	
Normal tax and surtax	16,949,983
Excess profits tax	250,000
	<u>\$410,313,487</u>
	<u>\$ 15,680,525</u>
LESS NET EARNINGS OF ACQUIRED SUBSIDIARY from February 1, 1948 to May 10, 1948 (date of acquisition)	—
NET EARNINGS	<u>\$ 15,680,525</u>
DEDUCT portion of net earnings applicable to minority interests in a subsidiary	46,296
NET EARNINGS APPLICABLE TO SHARES OF PARENT COMPANY	<u><u>\$ 15,634,229</u></u>

Company and subsidiary companies

CONSOLIDATED NET EARNINGS

Year ended January 31.

<u>1951</u>	<u>1950</u>	<u>1949</u>	<u>1948</u>
\$116,689,345	\$392,915,446	\$407,266,466	\$358,013,576
360,767	347,214	366,089	349,966
128,001	215,670	1,097,604	230,589
<u>\$117,178,113</u>	<u>\$393,478,330</u>	<u>\$408,730,159</u>	<u>\$358,594,131</u>
\$361,267,067	\$348,262,191	\$360,666,349	\$316,986,459
2,821,003	2,636,095	3,543,744	3,135,835
4,533,008	4,236,902	3,448,318	2,536,832
6,018,035	5,351,747	4,750,850	4,196,327
2,169,451	2,185,850	2,133,322	2,032,820
493,932	469,304	592,097	317,373
17,157,427	12,195,180	13,585,115	11,640,915
1,300,000	—	—	—
<u>\$395,759,923</u>	<u>\$375,337,269</u>	<u>\$388,719,795</u>	<u>\$340,846,561</u>
\$ 21,418,190	\$ 18,141,061	\$ 20,010,364	\$ 17,747,570
—	—	251,598	—
<u>\$ 21,418,190</u>	<u>\$ 18,141,061</u>	<u>\$ 19,758,766</u>	<u>\$ 17,747,570</u>
46,839	48,690	108,113	516,089
<u>\$ 21,371,351</u>	<u>\$ 18,092,371</u>	<u>\$ 19,650,653</u>	<u>\$ 17,231,481</u>

TOUCHE, NIVEN, BAILEY & SMART

CERTIFIED PUBLIC ACCOUNTANTS

ARCADE BUILDING

ST. LOUIS 1. MO.

April 23, 1952.

**BOARD OF DIRECTORS AND STOCKHOLDERS,
THE MAY DEPARTMENT STORES COMPANY,
ST. LOUIS, MISSOURI.**

We have examined the consolidated balance sheet of The May Department Stores Company and subsidiary companies as of January 31, 1952, and the related consolidated statements of net earnings, of accumulated earnings retained in the business, and of additional paid-in capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of net earnings, of accumulated earnings retained in the business, and of additional paid-in capital present fairly the consolidated financial position of The May Department Stores Company and subsidiary companies at January 31, 1952, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN, BAILEY & SMART

CERTIFIED PUBLIC ACCOUNTANTS.